

## **MINUTES**

### **MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON FINANCE AND CLAIMS**

**Call to Order:** By **CHAIRMAN MIKE COONEY**, on March 23, 2005 at 8:00 A.M., in Room 317 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Sen. Mike Cooney, Chairman (D)  
Sen. Keith Bales (R)  
Sen. Gregory D. Barkus (R)  
Sen. John Brueggeman (R)  
Sen. John Cobb (R)  
Sen. John Esp (R)  
Sen. Steven Gallus (D)  
Sen. Ken (Kim) Hansen (D)  
Sen. Bob Hawks (D)  
Sen. Bob Keenan (R)  
Sen. Rick Laible (R)  
Sen. Lane L. Larson (D)  
Sen. Greg Lind (D)  
Sen. Don Ryan (D)  
Sen. Trudi Schmidt (D)  
Sen. Corey Stapleton (R)  
Sen. Dan Weinberg (D)  
Sen. Carol Williams (D)

##### **Members Excused:**

Sen. Jon Tester (D)

**Members Absent:** None.

**Staff Present:** Prudence Gildroy, Committee Secretary  
Taryn Purdy, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing & Date Posted: HB 332, 3/21/2005; SB 496,  
3/21/2005; SB 133, 3/21/2005  
Executive Action: SB 428; SB 224; SB 319; SB 72; SB  
358

**HEARING ON HB 332****Opening Statement by Sponsor:**

**REP. ROSALIE (ROSIE) BUZZAS (D), HD 93, Missoula**, opened the hearing on **HB 332**, Supplemental appropriation to fund low-income energy assistance. HB 332 provides for \$903,255 as a supplemental appropriation to fund the Low Income Energy Assistance Program (LIEAP) for the current 2005 biennium. This funding will assist low income, disabled, and elderly Montanans with their energy costs for this winter. Over 21,000 eligible households at 150% of poverty will be served with these dollars. These dollars, invested by Montana, leverage over \$12 million in federal dollars from the U.S. Department of Health and Human Services. Governor Martz funded this program through December, and this supplemental by Governor Schweitzer would fund the program through the rest of this fiscal year. She noted the sting of higher energy costs due to deregulation. For many poor, disabled, and elderly citizens who live on fixed incomes, this additional cost has been especially difficult. It often means making choices between food, rent, medicine or heat. Passage of this bill would go a long way to easing the burden of such decisions.

**Proponents' Testimony:**

**Jim Nolan, Department of Public Health and Human Services (DPHHS)**, presented supporting materials for HB 332 for the consideration of the committee.

**EXHIBIT (fcs64a01)**

He thanked **REP. BUZZAS** for carrying this bill in the House, **SEN. CAROL WILLIAMS** for introducing it on the Senate side, and the Governor for supporting the idea. He referred to page 2 of the handout, which referenced the increase in utility costs. Natural gas, in particular, increased 90% over the last three years. Page 3 showed a dramatic increase in the applications to the LIEAP program. There were 14,000 households in 2000, and they are anticipating servicing 21,000 this year. He urged passage of HB 332.

**Rachel Hoberman, Energy Share of Montana**, read from written testimony in support of HB 332.

**EXHIBIT (fcs64a02)**

She presented a fact sheet to the committee on Montana's poor and the need for low-income energy assistance.

**EXHIBIT(fcs64a03)**

**Steve Yeakel, Montana Council for Maternal and Child Health, Montana Resource Development Council Director's Association,** testified about surveying Montanans last fall about how they would cope with the severity of the heating bills to come. He once served as the state Budget Director, and thought they might find it unusual that he was in favor of a supplemental. Supplementals are necessary in emergent conditions, they feel these conditions are emergent, and he asked them to look favorably on the bill.

**Bill Kennedy, Yellowstone County Commissioner,** testified he also serves as President of the **Montana Association of Counties (MACO)** and chaired the Health and Human Services Committee. He asked that they give the bill a do pass.

**Opponents' Testimony:** None.

**Informational Testimony:** None.

**Questions from Committee Members and Responses:**

**SEN. GREG LIND** inquired how the supplemental money is distributed. **Mr. Nolan** advised, of the \$900,000, fifteen percent will be reserved for the Indian Tribes. Energy Share will get \$50,000, and the rest goes to clients of the state LIEAP program. There will be no administrative costs taken out of this at the state level.

**SEN. GREG BARKUS** asked about the current funding for LIEAP and why they were doing this in a supplemental. **REP. BUZZAS** advised LIEAP was not fully funded in the Governor's budget for 2005. It was funded through December. This bill would be for January through April. **SEN. BARKUS** asked if the level of funding was inadequate to carry them to the end of the fiscal year. **REP. BUZZAS** stated it was funded through December. **SEN. BARKUS** asked if they always fund this backwards. **REP. BUZZAS** replied they did not add funding to LIEAP during the last session. When they got the emergency federal money, Governor Martz put money into LIEAP to fund it through December. There is funding for LIEAP in the Schweitzer budget for the next biennium. **Mr. Nolan** responded that, because of the increased cost of energy and the increased caseload, this supplemental would get them about to where they were last year. **SEN. BARKUS** thought the winter had been unbelievably warm, and he did not understand why more money is needed. **Mr. Nolan** agreed, it had been a warm winter. The problem is the cost of energy is so high, even with the warm

winter, that people's energy bills are still going through the roof.

**SEN. BOB KEENAN** asked about the history of LIEAP. **Mr. Nolan** explained the program started in 1980 as a response to the Arab oil embargo of the late 1970s. There has never been state money in the program, and the program has always been dependent on federal monies. That is one of the reasons this supplemental and the Governor's request for the next biennium are important. The President requested a significant reduction in federal funds. Should his proposal be adopted, over \$1 million a year will be cut from the LIEAP program. The record year in terms of appropriations was about \$13 million in 1980. It has been as low as \$4 million. There have been years when the present administration and Congress have not funded the program. **SEN. KEENAN** asked when general fund started to mix into it. **Mr. Nolan** advised, if this bill passes, the day that this bill is signed into law will be first time general fund has ever been used. The state has been the recipient of the Universal Service Benefit (USB) program funds that was a part of deregulation. At the start of this session there were a number of bills to extend USB and to make sure that more of this money is directed to low income. Only one bill is still standing, and that bill extends the date. **SEN. KEENAN** asked about the expenditure levels for 2003, 2004, and 2005, and if it was all federal money. **Mr. Nolan** indicated, that was correct. In 2003, they spent about \$7.4 million; in 2004 it was \$8.9 million; and, this year, it will be about \$10.5 million. **SEN. KEENAN** asked what happened in FY 2005 that caused all the money to be spent through December. **Mr. Nolan** advised Governor Martz put \$1.4 million in for the last winter heating season through December 31. He was not sure about the significance of that.

**SEN. JOHN ESP** inquired if the \$1.4 million is included in the \$10.5 million. **Mr. Nolan** indicated the \$10.5 is this winter's heating season; the \$1.4 is not included. **SEN. ESP** asked if the \$10.5 in federal funds was amplified by another \$1.4 in emergency federal funds. **Mr. Nolan** replied, no. The monies Governor Martz put in for last winter has been spent.

**SEN. LIND** asked if they left any federal money on the table, and **Mr. Nolan** replied, no.

**SEN. KEITH BALES** wondered if the \$1.4 million is included in the \$8.9 million. **Mr. Nolan** advised the Governor's money was in addition to the \$8.9 million. **SEN. BALES** said that would have totalled \$10.3 million. **Mr. Nolan** pointed out that a portion of those monies went to the Indian Tribes, and a portion was used

for weatherization. **SEN. BALES** asked when that division started. **Mr. Nolan** advised it has always been the case. The Tribes receive their money directly from the federal government in a federal LIEAP block grant. They have an agreement that whatever the state of Montana as a whole gets, that 15% will be set aside for the Tribes. When Governor Martz made her state money available, the Department and the Tribes felt it was just that they receive 15% of that as well, and they did. **SEN. BALES** inquired if the \$8.9 million and the \$10.5 includes what was given to the Tribes. **Mr. Nolan** indicated there is additional money that is reserved at the federal level for the Tribes. **SEN. BALES** asked about that amount. **Mr. Nolan** replied it is 15% of whatever Congress allocates to the state of Montana. **SEN. BALES** asked if in 2004, the \$8.9 million was received by the state and an additional 15% of that amount was received by the Tribes. Of the \$1.4 million, 15% was given to the Tribes. **Mr. Nolan** said, that is correct.

**Closing by Sponsor:**

**REP. BUZZAS** acknowledged this looks like a lot of money. There have been some cold snaps, and people on a fixed income do not have choices. She contended the Legislature needs to be responsible for the effects of deregulation. People do not receive the full amount of their energy bills. The payments range from \$57 to \$1619.00, depending on household income. The average payment will be about \$425.00. The bill was amended from \$1.8 million; they were able to get some additional federal dollars.

**HEARING ON SB 496**

***{Tape: 1; Side: A; Approx. Time Counter: 23.3}***

**Opening Statement by Sponsor:**

**SEN. MIKE COONEY (D), SD 40, Helena**, opened the hearing on **SB 496**, Enhance statewide driver education programs for novices and seniors. **CHAIRMAN COONEY** advised this bill was heard on the floor and referred to the committee. The bill proposes to raise the fee on drivers licenses and state ID's with the money going to help driver education in Montana. If this bill passes, the money will go into a state special revenue account for the purposes of youth and senior driver education, and will apply to the cap. They are trying to keep driver education available to people throughout the state and keep the cost of the programs at a rate that is affordable. His youngest child completed driver education in Helena, and he believed they paid about \$200. He

believed that his son is a much better driver than he would otherwise be. The issue came to his attention at a conference of driver educators, and there is a concern that these programs are not being offered as often as they should be. State support has decreased. In some areas driver education costs as much as \$400 per student. Driver education for seniors is necessary because the reflexes of older drivers are not what they used to be.

**Proponents' Testimony:**

**Rick Chiotti, Office of Public Instruction (OPI)**, read from written testimony.

**EXHIBIT**(fcs64a04)

*{Tape: 1; Side: B}*

**Jim Carroll, Traffic Education Association**, read from written testimony and passed out information to the committee on traffic education programs.

**EXHIBIT**(fcs64a05)

**EXHIBIT**(fcs64a06)

**Mike Harris, Driver Education Instructor, Belgrade High School**, spoke in favor of the bill. The bill will support lower income students. Many of those students do not have parent support to take them out driving or cannot afford to take driver education. They are getting their license at age 16 without knowing the basic laws or driving skills. The cost in his district has risen to \$150. He favored the senior citizens portion of the bill. New technology is an issue with seniors. He gave the example of holding the wheel at ten and two. It is now taught to hold it at nine and three. The reason for this is air bags come out at such a rapid speed.

**Dean Roberts, Motor Vehicle Division**, said this is a policy decision regarding a \$6 dollar increase in the drivers license fee. Presently, the cost is \$5 a year. Last year the Legislature put a fifty-cent fee on license renewal. This would also add a \$6 dollar fee to an ID card to the existing \$8. He addressed the senior issue. They would work with AAA Montana and AARP with their programs. There is an aging population in Montana; 50% of Montana drivers are over 65 years old. People are living longer lives, but their mental capacity and reflexes are issues. He described the use of "specials". Seniors are interviewed and taken out on a road test. In some cases they restrict them to certain routes. They want to establish some kind of program that would allow seniors to drive longer. They

think this is a good bill because it begins to address the senior population.

**Steve Yeakel, Montana Traffic Educators, AAA Mountain West,** testified he is the father of a nineteen-year-old, a seventeen-year-old, and a thirteen-year-old. The nineteen-year-old is the compliant child; the seventeen-year-old needed drivers education and supervision thereafter. They will find the money to put the thirteen-year-old through drivers education. He worries about her classmates and those who will not be able to find the money. He is the oldest child who had to speak with his mother about not driving anymore. Had they known about the availability of a senior program, it might have extended her ability to drive. It might have taken the fear out of her grandchildren's eyes. He wanted to make sure more young people have a better chance of being better educated as they get on the road with their friends.

**Barbara Broberg, Montana Women Involved in Farm Economics,** stated there has been a bill this session about truck safety and a bill that did not pass about tie downs on the back of a vehicle. She became a truck driver and did not get any education in school about trucks. She has been astonished at how much can be seen in a big truck with mirrors. She was encouraged to hear there might be some help for those on the road.

**Opponents' Testimony:** None.

**Informational Testimony:** None.

**Questions from Committee Members and Responses:**

**SEN. LANE LARSON** said the drivers training course his son took in Wyoming was not accepted in Montana. He asked **Mr. David Huff, Traffic Education Director, OPI,** if there are any they do accept, or any way to accept those. **Mr. Huff** indicated, in order to be eligible for an early license before age 16, they have to pass a state-approved driver education program. They are not in a position to approve any other state's program, because Montana's program exceeds all of the requirements of other states. Most states are 30 hours of classroom and six hours behind the wheel. Montana has a 60 hour program. He advises the schools to give a student credit for what he has in another state and then add to it. They would then certify that he had completed a Montana-approved program. Very few schools are willing to do that. They encourage students to enroll in the next drivers education class.

**SEN. LARSON** advised Skyview High School has a lottery system for deciding who gets to take drivers training and who does not. His son was not selected in the fall, and it took him a few tries to get there. He asked if other schools have this lottery system,

which he feels is a poor system. **Mr. Huff** replied local districts have quite a bit of control. OPI sets up guidelines for what constitutes an approved program, and then the districts provide their program within those parameters. OPI requires that they provide equitable access to the students in the local jurisdiction. Some choose lottery, and some choose first come first served. **SEN. LARSON** stated, once they won the lottery, they had to pay \$175 for that training course. He asked if this legislation will help that situation. **Mr. Huff** said it cannot hurt it. The price of fuel is skyrocketing, and the cost of driver education is going to go up. Billings will see an increase in those fees. They are averaging \$75 to \$80 a year per child in reimbursement by the present revenue system. If this were to pass, it would kick in about \$800,000 to \$900,000 a year. They are estimating that would bring it up to about \$150 to \$175. How many dollars they actually get depends how many students take drivers education. It should make a difference, but he could not guarantee how Billings will use it; it may be for gas or salaries. He hoped the increase for cost to students would not increase as rapidly.

**SEN. RICK LAIBLE** referred to the fiscal note. The revenue is \$840,000 in 2006 and \$1.1 million in 2007. The expenditures are \$1,960. He wondered how they will spend the other money.

**CHAIRMAN COONEY** advised some of this money will be used for part-time additional staffers. **Mr. Huff** indicated, because this is outside of OPI's official request, they have not planned for any additional staff. There is a need for part-time support. The mechanism for adding that staff is nowhere in statute or in the bill at this point. It would have to be added as part of a request for additional staff and approved in HB 2. The administration funds that come to him for administering this program are pro-rated out of this special revenue account. They were appropriated enough for 1.5 FTE currently, and would have to initiate a mechanism in the next session. **SEN. LAIBLE** said the money for the half FTE is not included as an expenditure. **Mr. Huff** said there is no request for a half-time FTE in this particular bill. All of the money raised by this bill, as it is presented, will go to the school districts. **SEN. LAIBLE** asked if the money will be used to add driving instructors at the schools or to reduce the cost of the system. He wondered what they would do with the almost \$2 million they were raising over two years. **Mr. Huff** said he misunderstood the previous question; he thought **SEN. LAIBLE** was referring to staff at OPI. They have no control how the funds are administered at the local level. This money will go to the school, and the school board will decide how that money is used. This bill will allow OPI to give schools about \$150 to \$175 per student.



**SEN. BALES** inquired about the fiscal note and how expenditures will be shown. **CHAIRMAN COONEY** said it needs to be included in HB 2. As the bill is currently written, the dollars go to local school districts. He had a discussion with **Mr. Huff** about helping OPI with their FTE issue. Part of that discussion came from a discussion with the insurance industry. The industry supports the bill, but are also concerned about monitoring these programs. The money will be used by districts as they see fit in their driver education programs. **SEN. BALES** thought it should be reflected in the fiscal note that it will be expended. **CHAIRMAN COONEY** did not know why the fiscal note was written that way.

**Taryn Purdy, Legislative Fiscal Division**, did not know why the fiscal note was written without the expenditures either. It will be something that the Legislature needs to do in HB 2 to appropriate these funds at whatever level they decide to appropriate. That would be a legislative decision, and should be reflected in the fiscal note. **SEN. BALES** saw how the money for drivers training would be allocated, but did not think there was a program in place for the senior program. He asked if there would be an entirely new program.

*{Tape: 2; Side: A}*

**CHAIRMAN COONEY** did not believe there would be an entirely new program. There are couple of good models; one is AARP's Fifty-Five Alive, and AAA has a program for senior education. It would be the intention of the Department to utilize those existing programs that have a proven track record. **SEN. BALES** asked **Mr. Roberts** if they are currently putting money into those programs. If not, he wondered how they would set that up. **Mr. Roberts** said there are no FTE for the Department in the \$60,000. This would enhance what they are doing now. When they know about an older driver, they do not have the resources for a home study program, as an example. They would go to AAA Montana and use the Driver License stations as their vehicle to begin to get information out, reach and test seniors, keep them on the road longer, or take them off the road in some cases. **SEN. BALES** said they appear to be doing that already with their current funding. He wondered why this is needed. **Mr. Roberts** indicated they are doing it on a hit and miss basis. Older drivers are 15% of the population. In 1996, they were 12%. By the year 2010, they will be almost 20%. The \$60,000 would allow them to put some emphasis on senior driver education. He indicated he did not have a specific program.

**SEN. BARKUS** asked **Mr. Chiotti** about the history of the relationship of Education and drivers. He wondered if it has always been in the schools. **Mr. Chiotti** referred the question to

**Mr. Huff.** **Mr. Huff** advised the program started in the late 1960s. It started at a time when the National Highway Traffic Safety Administration was putting a large effort behind these things because so many people were being killed on the highways. The actual model for driver education was established in the mid-1900s. It was provided during the school day as part of the curriculum in its early years. They believe it was a mistake to allow it to migrate out of the school day; it had less priority. Montana is one of the few states left that still provides a primary focus of driver education in a high school setting. It is his conclusion that, in the early days, one of the reasons why the Legislature chose to put it into the high schools was because it was an infrastructure that was in place across the state that allowed them to reach the most number of students in Montana. It was also the model being pushed by the federal government. There are no other programs allowed in the state at this time by statute. **SEN. BARKUS** said **Mr. Huff** indicated in his testimony that Montana is one of the few states that use a school setting for driver education dissemination. **Mr. Huff** said, that is correct. There were some studies done in the early 1970s about the effectiveness of driver education. There was some question as to whether it had any value, and there was a change in emphasis by the federal government. Since that time, there has been a collapse of driver education across the nation. There is renewed interest by Congress, and polls show that 86% of parents believe driver education has value. If students who are driving are controlled with driver education, those students are much safer. In a recent study in Oregon, those who had state approved driver education program and 50 hours of additional driving experience were safer than those who did not and had 100 hours of driving experience before they started driving. It was a misuse of statistics that resulted in a lot of states pushing driver education out of the school to after school. In many states, it is done by commercial driving schools, which are not much more than license schools. **SEN. BARKUS** said the average per pupil cost figure was modified to provide a more accurate per pupil cost, dropping to \$189. **Mr. Huff** said he did not know the full details of that adjustment. His impression was how they collected the information from the schools as to what went into the costs of the program were modified to bring in more of the actual costs. They were not gathering all of the information before, so it made it look like the programs were artificially less expensive than they are.

**SEN. BARKUS** asked **Mr. Carroll** if he does anything else at Conrad High School, other than driver education. **Mr. Carroll** replied they have a summer program with three instructors. Some schools have a full-time instructor for that program. All of the teachers in their program also teach other subjects. In his

case, he teaches small engines and basic senior auto. He is also activities director and transportation supervisor.

**SEN. WILLIAMS** inquired whether there is any subsidy in these programs for low income children or seniors. **Mr. Huff** indicated that is a local issue. There are some school districts that provide assistance to those who cannot afford it. The Helena School District provides driver education free of charge to those in the free and reduced lunch program, which indicates a lower economic level. They adjust their fees so they can do that; those that can afford it help offset the cost of those that cannot afford it. **SEN. WILLIAMS** asked if the cost of the program is related to the drop-off in people taking the class. **Mr. Huff** replied it is tough to define the actual cost of that relationship. There is a definite correlation. Part of the problem is the access issue with the class being after school. Students are busier today than they were ten years ago. It is also a fiscal issue. Most schools pay their teachers less per hour for extracurricular activities, which this is now considered. When schools are cut back because of loss of ANB, they have a loss of teachers. They cannot afford to have those teachers teaching driver education. If driver education is taught out of school, that teacher is available to teach something else. It is a complex issue, but it all ties to adequate funding.

**Closing by Sponsor:**

**CHAIRMAN COONEY** thanked the committee. He said this is a simple bill, with a simple vision, but the issue is more complex than meets the eye. This is nothing more than a policy decision and that is if it is worth moving forward in this way in order to have better prepared drivers in the state of Montana. The crash rate and death rate are high. Hopefully, if this is successful, they will start to see a decline in those statistics. He noted there was part of the bill they did not discuss. When they sat down with the insurance industry about this, the industry asked for language in the bill to make this a project for them to help obtain contributions to go into this fund. The language on page 1, line 17 was put there at their request. It does not mean that rates will go down. He spoke about his teenager taking drivers training. They are supposed to drive with the parent, ride with the parent, and critique the driving skills of the parent. His fifteen-year-old was driving with him and **SEN. COONEY** came up to a stop sign. He thought he did very well. His son immediately stopped him and said that his teacher would mark the Senator off on that because he did not stop and rock. Until the car rocks back, he did not come to a complete stop. He learned something from his son's assignment. His son has developed good skills.

His older son did not get his driver license until he was eighteen. His two other children went through driver education, and he is a firm believer in the program. He thought it would be great to do something to make it more available to the people of Montana. It is important to do what they can to help senior drivers. He noted that **Mr. Huff** is not only driver education coordinator for OPI, he is one of the recognized experts in the nation on the subject.

### HEARING ON SB 133

*{Tape: 2; Side: A; Approx. Time Counter: 21.7}*

#### Opening Statement by Sponsor:

**SEN. JEFF MANGAN (D)**, SD 12, opened the hearing on **SB 133**, Capital formation act for venture capital. The bill was heard on the floor the previous week. **SEN. MANGAN** emphasized that, during the interim, the primary focus of the Economic Affairs Committee was a venture capital bill. They brought in folks from around the country and looked at various models. Last session, there were several bills, and they all died. The committee selected the fund to funds model, which was carried by **SEN. JON TESTER** last session, and made some improvements with the assistance of the State Auditors Office. **REP. JOE MCKINNEY** is a co-sponsor of the bill. Four years of work have gone into this bill and this model. There was good discussion of the bill in Senate Taxation and on the floor of the Senate.

#### Proponents' Testimony:

**John Morrison, Montana State Auditor**, testified he serves as the Securities Commissioner for the State of Montana. One of the statutory charges for the Securities Commissioner is to promote capital formation in the state. This is an issue they have been working on for some time. In early 2002, he had the idea of trying to introduce some legislation that would promote capital formation. He had heard about insurance companies getting premium tax credits in return for investment in certain businesses. He looked at that and found out it was not an option that was succeeding in states. They started looking at what works around the country. At that time, he met with then Lieutenant Governor Karl Ohs, Dave Gibson, and Mark Simonich, and a number of private stakeholders, and they started to develop a fund to funds model based on the Oklahoma model. That model also exists in Iowa, Arkansas, Utah, and North and South Carolina. They developed the bill that **SEN. TESTER** sponsored in the last session. It succeeded on Second Reading but died on third

reading. The interim committee was created, and they went through all these options. From many different perspectives, they determined that this fund to funds model is succeeding in states to try to promote the attraction of venture capital into rural states. He thanked the sponsors of the bill and those on the interim committee. They determined the fund to funds model is the best way to approach this and refined the bill from last session. There is more of a track record for the model this session. This bill represents the state of the art for this type of program. He referred to information supplied to the committee that explained how the program works.

**EXHIBIT (fcs64a07)**

The Governor appoints the Montana Capital Investment Board. These are people with specialized knowledge in this area. The Capital Investment Board contracts with a designated investor group, which is an outside organization that specializes in this kind of venture fund type management. This would unlikely be anybody who is in Montana right now. This would probably be somebody with Wall Street experience or Silicon Valley experience. They would create a Montana Equity Fund, which is a fund to funds, and then they would solicit investment from institutional investors who would invest in the Montana Equity Fund. This would not be as a venture capital investment. They would invest for a guaranteed conservative return that is much more like a bond return. The state of Montana would guarantee that return by issuing certificates, the investment instruments. If, for some reason, the return of the fund to funds is less than what was promised, the state will make up for that in marketable tax credit certificates.

***{Tape: 2; Side: B}***

No tax credit certificates have been used in Oklahoma or the other states. Those are a way of putting the full weight and credit of the state behind this instrument, much like is done with a municipal bond or other public debt instrument. When the Montana Equity Fund accumulates this money from the institutional investors, it will invest in various existing venture capital funds. Ninety-nine percent of all venture capital in the country currently goes to urban areas. The only way states like Montana get to play is by creating a special mechanism that brings activity here. The equity fund, managed by the investment group, will oversee this portfolio of venture capital funds. They will make sure this portfolio will return enough that tax credits will never be used and make sure that these venture funds are showing some consideration to Montana. This has been successful in Oklahoma, and, over the twelve year period, they have brought in \$2 to Oklahoma businesses for every \$1 that they invested out of

the fund of funds. In the last two or three years in Oklahoma, it has been four to one. About 200 businesses in Oklahoma received significant capital investments that allowed them to get started and expand. The Equity fund has a cap of \$60 million, and then it starts pouring over into the Montana Evergreen Fund. Seventy-five percent of the Evergreen Fund is guaranteed investment in Montana business ventures; twenty-five percent goes into the state general fund. From a fiscal standpoint, this will cost \$132,000 in 2006 and \$65,000 in 2007. It is anticipated that, thereafter, administrative and operating expenses will be paid for entirely by the Equity Fund. This will pay expenses for the designated investor group, hiring a professional staff person in FY 2006, and an administrative staff person in FY 2007. Thereafter, there will be a self-sustaining fund. This is a long-term investment that has been successful elsewhere, and they think this can be an important part of an economic development and diversification strategy in Montana over a ten-year period. He respectfully urged the committee's support.

**Anita Verone, Lewis and Clark County Commissioner**, advised she is also Chair of the Montana Association of Counties Economic Development Committee. This committee has looked at venture capital possibilities, along with the Montana Ambassadors, and they urge a do pass on this bill.

**Joe Mazurek, D.A. Davidson Company**, advised the company supports and encourages legislation designed to increase the availability of venture capital for Montana companies. This bill had a good hearing in Senate Taxation earlier in the session. The bill was supported by the Montana Ambassadors, Montana Chamber of Commerce, Montana Bankers Association, Montana Economic Developers Association, MACo Economic Development Committee, Montana Independent Bankers, D.A. Davidson, MSE Technology, AA Capital Ventures International, Inc., Glacier Venture Fund, and several private entrepreneurs and companies. D.A. Davidson is well aware of the limited availability of venture capital for business in the state. Traditional venture capital funds, money centers, or urban markets are hesitant to do deals in rural markets, because it is more expensive, time consuming, and difficult to source and manage investments. Consequently, companies in Montana have a more difficult time obtaining venture capital than similar companies in the Silicon Valley, Seattle, or Salt Lake City. The most effective way for the state to fulfill that role is to provide incentives or expand private capital formation, rather than have the state directly enter into the venture capital investment business. They believe SB 133 will help to encourage additional capital formation and increase the availability of venture capital for growth companies in Montana. This will help retain and expand existing business, while encouraging development and recruitment.

**Dave Gibson, Office of the Commissioner of Higher Education,** advised he worked on this bill for about three and a half years. The University System takes a strong interest in this and bills related to venture capital. The University System is serious about growing the Montana economy; they educate the population, train workers, and generate technology. The University System is the largest generator of technology in Montana in terms of research. For that to make a significant impact on the Montana economy, the research has to be commercialized in the Montana economy. There has to be access to competitive capital here that allows companies to stay in Montana. He advised this model has the best chance of success.

**Bill Kennedy, Yellowstone County Commissioner, Chairman Montana Association of Counties,** advised SB 133 gives an opportunity to enhance businesses in the state of Montana. The Big Sky Development Association in Yellowstone County levies two mills. They are soliciting funds from private investors to create funds to create a pool in Yellowstone County to help business expansion. It is very small scale. Most of the time when businesses come in to the counties, they ask for tax incentives. The problem is venture capital. They need a bill, such as SB 133, to help local communities.

**Gary Amestoy, Richland County Economic Development Corporation,** emphasized the need for venture capital organizations in Montana. He appreciated support for the bill.

**Opponents' Testimony:** None.

**Informational Testimony:**

**Jim McKeon, Department of Revenue,** indicated he was available for questions.

**Questions from Committee Members and Responses:**

**SEN. BOB HAWKS** asked about potential investors and whether the organized groups of angel investors in Montana will be fully participatory in investing in this mechanism. **Mr. Morrison** thought the networks of angel investors are another kind of early stage investment that Montana needs. These are people who are truly venture investors. They are generally wealthy individuals investing in new ideas. They understand there is a high risk in the investment they are making. They usually take a direct interest in the management of the company they are investing in, and, sometimes, in running the company. The development of angel networks is an important part of economic development strategy, but they are a different category. What is being talked about

here is big, institutional investors that have large portfolios.

**SEN. HAWKS** wondered if it was a possibility for angel investors to become a homegrown capital investment group. **Mr. Morrison** did not know of anything that would prevent a wealthy individual that wanted to invest in this program from investing in the fund of funds. That is not really the audience that is targeted here. That is an audience that is targeted by angel networks.

**SEN. LIND** asked how these funds would perform if another September 11th event occurs, along with the guaranteed return.

**Mr. Morrison** said worse than 9/11 was the tech turndown they faced in the 1990s. They have to consider a ten-year period. The Oklahoma fund has performed over the last decade, including during the tech loss and after 9/11. He re-emphasized that a program has to be set up that takes a longer time horizon.

**SEN. BARKUS** asked **Mr. Morrison** what incentives these funds have to make investments in the state. **Mr. Morrison** advised they do not require a specific kind of investment in the state from these venture funds. They allow the designated investor group, as they manage the fund to funds, to review and report to the Legislature on the performance of each of those venture capital funds in how much consideration they are giving the state of Montana. They will know that their periodic review and renewal of their contract will depend on them doing something with the state of Montana. It does not force a certain amount of money, but if they open an office here, that is a good thing. They know that venture capital goes to places that venture capital knows. Venture capital does not go to places that are distant from where they are located. If investors want to get Montana fund to funds money, they will have to perform. They know, from history in Montana and other states, that when a government program is created that forces capital into a certain place that might not deserve it, that is a recipe for failure.

**SEN. BALES** said the investment is guaranteed through the use of investment tax credits, and those can be sold. He asked how secure investors will feel with that type of guarantee. **Mr. Morrison** responded that the objective is to have these certificate instruments perform like public bonds. There is a precedent in Oklahoma. What they do not know, is exactly what the market is for the tax credits, because nobody has ever had to use them. They are told by the people who manage the Oklahoma, Arkansas, and Utah programs that there will be a ready market. It is not anticipated that if those certificates are ever used that they will have to sell them for less than they are worth. Investors have considered them sufficiently safe that the money has come into those other states.



**SEN. DAN WEINBERG** referred to the restrictions in the Evergreen Fund. He thought 25% was high. **Mr. Morrison** agreed, it is. If the committee feels strongly about lowering that to guarantee more diversification, they could do that. That number was recommended to them by people that have been doing this for awhile. In his own investments, he would not want 25% of the investment capital he had in one new venture.

*{Tape: 3; Side: A}*

**SEN. WEINBERG** thought it should be 5%. He asked what would make sense, and what would not inhibit the purpose. **Mr. Morrison** hesitated to offer an opinion without consulting with people that run these programs in other states. **SEN. WEINBERG** asked if that could be done. He liked the concept of the public/private makeup of this plan. The percentage was the one piece that concerned him. **Mr. Morrison** said he would try to get an answer back to him today.

**CHAIRMAN COONEY** referred to a handout from Governing.com. This article came from the Legislative Auditor's office at the request of **SEN. JOE BALLYEAT**, who asked that it be distributed.

**EXHIBIT (fcs64a08)**

**SEN. TRUDY SCHMIDT** asked about the Evergreen Fund. **Mr. Morrison** explained 75% is invested directly into Montana ventures. Since this is gravy that flows into the Evergreen fund, there can be a higher chance taken in putting that capital into a new business. With the Equity Fund itself, where the tax credits are on the line, they want first to emphasize return on investment to make sure they do not have to use any tax dollars. The 25% goes into the general fund.

**SEN. SCHMIDT** asked **Mr McKeon** when the Department of Revenue will come into play in this process. **Mr. McKeon** indicated the tax credit cannot be used until 2010, which is the first time the credit will be recognized on the tax return.

**Closing by Sponsor:**

**SEN. MANGAN** thanked **SEN. BALLYEAT** for making the case for what they did in the Economic Affairs Interim Committee. They looked at all the different models and agreed that the fund to fund model was the best model. The handout discusses the CAPCO model. He indicated he did not want this bill to come back to the floor of the Senate, but, if they amend it, it certainly will. He said they will get the information to **SEN. WEINBERG**. This bill has

gone through a metamorphosis since last session. This session they did their homework and worked together.

**EXECUTIVE ACTION ON SB 428**

***{Tape: 3; Side: A; Approx. Time Counter: 8.2}***

**Motion:** SEN. COREY STAPLETON moved that SB 428 DO PASS.

SEN. LAIBLE stated that, in testimony, DPHHS thought there could be savings in answering the phones from different departments. He believes they can do that with existing funding and manpower, because there will be a central answering area. He thought the savings would far outweigh the cost and that this was an important bill.

**Motion:** SEN. LAIBLE moved that SB042801.ATP BE ADOPTED.

**EXHIBIT** (fcs64a09)

SEN. LIND asked SEN. STAPLETON to comment on the amendment. SEN. STAPLETON indicated SEN. LAIBLE talked to him about it after the hearing. He did not know who SEN. LAIBLE had talked to. He thought the costs to the Department were minimal.

CHAIRMAN COONEY recalled they currently have some toll-free lines and some of those may be freed up as a result of this. He did not know what the cost savings might be. SEN. LAIBLE replied his primary focus was on the testimony that they were answering phones throughout the entire agency.

SEN. WEINBERG asked about SEN. SCHMIDT'S amendment. CHAIRMAN COONEY said it would reduce the amount of money they are requesting. SEN. SCHMIDT said the Department would reduce the size of the board from 25 to 20 members, which would reduce travel and meeting costs, and the board would meet every other month, instead of every month. The cost of the study would be reduced to \$15,000. The total reduction was about \$47,000. SEN. LAIBLE asked if the Department indicated what the savings would be from having a central phone system. SEN. SCHMIDT said, no. She had the total savings for one year; it would be 34% the first year and 6% the second year.

**Vote:** Motion carried 15-4 by roll call vote with SEN. COONEY, SEN. LIND, SEN. WEINBERG, and SEN. WILLIAMS voting no.

**SEN. LAIBLE** asked **SEN. SCHMIDT**, since they had just gone to a zero fiscal note, why they would want to consider her conceptual amendment. Her amendment would put money back into the fiscal note. **CHAIRMAN COONEY** thought **SEN. LAIBLE'S** amendment said the Department would use their existing money to fund it, but it did not change the numbers in the fiscal note. **SEN. LIND** said they will still have the work to do, and they will incur costs; it is a cost shift. **SEN. LAIBLE** said it was the intent of the Legislature that the functions required in this act be conducted with existing employees and within existing levels of funding. **CHAIRMAN COONEY** clarified, if this bill passes, the Department would have to meet the requirements of this bill. This amendment will change the requirements in the bill and will reduce the cost. He did not think it was in conflict with **SEN. LAIBLE'S** amendment. **SEN. LAIBLE** agreed that the two amendments were in concert.

**Motion:** **SEN. SCHMIDT** moved a **CONCEPTUAL AMENDMENT TO CHANGE THE LANGUAGE FROM 25 TO 20 MEMBERS IN SECTION 4, REDUCE THE MEETINGS TO EVERY OTHER MONTH INSTEAD OF EVERY MONTH, AND REDUCE THE COST OF THE STUDY TO \$15,000.**

**Discussion:**

**SEN. BALES** asked how many members are specifically listed. The bill includes members from each approved call center. He asked how many approved call centers there are and wondered if it could be reduced a little more. **SEN. SCHMIDT** did not know the details and referred the question to **Gayle Shirley, DPHHS**, who advised there are currently four call centers. They will not want to create a lot of new call centers. That leaves them some room to have other people involved in the coalition.

**SEN. BARKUS** thought this was micro-managing an agency. He wondered if parts of the bill need to be in statute. **SEN. STAPLETON** said **SEN. SCHMIDT** also serves on the 911 Commission.

**SEN. HAWKS** declared they just passed an amendment that essentially stripped the funds from the bill, and this would add funds back. **CHAIRMAN COONEY** clarified the bill as written will cost a certain amount. They just told the agency that they have to pay for what this bill tells them to do with existing funds. This amendment will change the bill to reduce the cost, so they will not be expected to pick up as much as the bill would have them pick up. It is fine with **SEN. LAIBLE'S** amendment that they just passed.

**SEN. BALES** asked about the amendment on the study. **SEN. SCHMIDT** did not think there is any language in the bill. She was referring to the fiscal note language. **SEN. BALES** thought that was a mute point since there is no language in the bill directing them to do a study.

**Vote:** Motion carried unanimously by voice vote.

**Motion:** **SEN. STAPLETON** moved that SB 428 DO PASS AS AMENDED.

**Discussion:**

**SEN. BARKUS** asked if they are micro-managing DPHHS on how to deliver their services. **SEN. STAPLETON** did not think so. The enabling legislation itself is why this bill is important so they can coordinate those functions.

**Vote:** Motion carried unanimously by voice vote.

**SEN. JOHN COBB** advised when they do those amendments like **SEN. LIABLE** did, they are telling the Department to do this within their budget. The Department can always come back and request funding in the conference committee. It allows Legislators to say they think it can be done within the budget to bypass the fiscal note that kills the bills. It allows a bill to go forward if they do not think it will cost.

**EXECUTIVE ACTION ON SB 224**

*{Tape: 3; Side: A; Approx. Time Counter: 28.1}*

**Motion:** **SEN. DON RYAN** moved that SB 224 DO PASS.

**Discussion:**

**SEN. RYAN** stated in order for a school district, at this point in time, to get any funding for a student, a student has to be present within the school. This bill allows the rule-making authority to serve a student outside a building and get credit for the service to that student for ANB by providing those services. In the Helena district one child in particular did not function in that setting, and they sent a tutor to the home. Under current law, it is hard to get the ANB. This bill will allow the use of technology to do this. Regarding the fiscal note, they passed SB 567 out of the Senate. That bill set down time-frames for services in order to get a percentage of ANB. Passing that bill negates the fiscal note for SB 224. This bill allows OPI to make the rules on how this service is to be

delivered and for accountability. He contended this will become important in the future for delivering the needed high school accreditation, especially in rural schools and for those with special needs.

**{Tape: 3; Side: B}**

**SEN. LAIBLE** commented if they do not do something like this, distance learning in the state cannot go forward.

**Vote: Motion carried unanimously by voice vote.**

**EXECUTIVE ACTION ON SB 319**

**{Tape: 3; Side: B; Approx. Time Counter: 2.6}**

**Motion: SEN. COONEY moved that SB 319 DO PASS.**

**Motion: SEN. COONEY moved that SB031902.ATP BE ADOPTED.**

**EXHIBIT(fcs64a10)**

**Discussion:**

**CHAIRMAN COONEY** said this is the amendment that **SEN. ELLINGSON** discussed yesterday as a possible way of dealing with the bill. **Ms. Purdy** explained the amendment says if HB 2 does not have an appropriation of at least \$300,000, that the bill does not take effect until the 2009 biennium. The bill would go on the books, and it would be up to the next legislature to either fund the this or to remove the statute. It would require a bill to take it out of statute, rather than a bill to put it into statute.

**SEN. BARKUS** asked what the difference is of putting contingent voidness language in this bill, which would simply make the bill go away without legislative work in the next session if it was not funded. **Ms. Purdy** indicated the choices of the next Legislature would be to either fund the bill that is on the books at that point, or if the Legislature did not fund it next time and it was still on the books, then it would absolutely have to be implemented by the Commissioner of Political Practices. The Commissioner would have to somehow find the money to make those payments. The other choice for the next Legislature would be to pass legislation that removes it. If the bill had a contingent voidness in it, somebody would have to introduce a bill next time to actually implement the statute.

**SEN. BALES** said he knew the Chairman wanted to get this bill in law, but at this point he was uncomfortable with enacting a mandate for the next Legislature that they were not willing to fund this time. **CHAIRMAN COONEY** replied he was right if this Legislature chooses not to fund it. That is a question yet unanswered. The big part of the puzzle is whether this Legislature will consider funding the amount of money. If they do, then it is on the books, it is funded, and then every other Legislature would have to decide to move forward with it. **SEN. BALES** thought that would happen without this amendment. If it was funded by this Legislature, it would be on the books and would be there from thereon. The only effect of this amendment is, if this Legislature chooses not to fund it, they are putting a mandate on the next Legislature to do something they were not willing to do this time. **CHAIRMAN COONEY** replied, if they pass the bill as it is currently written and they do not fund it, the Commissioner of Political Practices would have to fund it somehow in the next biennium. That is what this amendment would do. It does not force the Commissioner of Political Practices to fund it if the Legislature does not fund it, but it puts it on the books. He agreed that it does put the onus on the next Legislature.

**SEN. LAIBLE** expressed that they are making a policy that says even if they do not get money they are going to put language on the books for a future Legislature to deal with. He was not quite sure that is what the Senate Finance Committee should be doing--to cause a funding problem for a future Legislature. He liked the contingent voidness, because that is clean. If they have the funding, they can put it in; if they do not have the funding, the bill would not go on.

**SEN. ESP** reiterated, if they cannot fund it this time given the current financial picture, that this is a new program and he does not think they should put it in law for the next Legislature to have to take out.

**SEN. STAPLETON** said this does not change the fiscal note as much as they expected. He said there will be two races in the next election cycle, and it was likely the Commissioner of Political Practices would have to come with a supplemental. He asked **CHAIRMAN COONEY** if he supports doing that. **CHAIRMAN COONEY** said he believes this is an important policy decision. He would not move the amendment or the bill if he did not think it was important. They do not know how many candidates will be running for the Supreme Court. They do not know how many of the candidates who run for the Supreme Court would qualify. There is the potential that a number of candidates would qualify, and that would have to be dealt with. That is why the fiscal note is difficult to write. He has been a long-time proponent of

campaign finance reform. He thought this is a reasonable first step to see if something like this would work, and he supports this. He has not given any guarantees that he would support putting the money into this at the end if there are other priorities. He thought the bill was worthwhile enough to let it move forward and see where it ends up. He thought everybody is clear that it could potentially mean a supplemental. If it does not get funded, this program will not go into effect for a couple of years. Then the Legislature has the opportunity to revisit it at that point, and they could repeal the statute or they could fund it. He guaranteed the Commissioner of Political Practices would not let this sit there if there is no money.

**Vote:** Motion carried 12-7 by roll call vote with SEN. BALES, SEN. BARKUS, SEN. BRUEGGEMAN, SEN. ESP, SEN. KEENAN, SEN. LAIBLE, and SEN. STAPLETON voting no.

**Motion:** SEN. ESP moved that SB 319 DO PASS AS AMENDED.

**Motion:** SEN. ESP moved that SB031902.ATP BE ADOPTED.

**EXHIBIT**(fcs64a11)

**Discussion:**

SEN. ESP asked CHAIRMAN COONEY, if this is not in their priorities this time given all the other needs they have in human services, district court funding, indigent defense, etc., he did not know why they would want to leave this on the books to encumber the next Legislature to take off. CHAIRMAN COONEY said it is an important policy, and they need to let this go and see if they can make it fly. They put a lot of language in statutes. They had a debate the other day on the floor, and he voted to take that language out. That language had been there for a number of years. He thought the argument could be made that language in the statute, whether it is funded or not, still indicates that this is an important policy for the state of Montana. SEN. ESP asked why they would want to put something in law that is not a priority of theirs to encumber the next Legislature. CHAIRMAN COONEY said it was his hope that they can fund this. He has made no guarantees, and he made that clear to SEN. ELLINGSON. If they cannot fund it, it is an important policy decision to have on the books, and the next Legislature may want to make it a priority. He did not agree with the assessment that if they cannot fund it now they will not be able to fund it in the future and that it would not be a priority. He acknowledged they have a difference of opinion.

SEN. STEVE GALLUS called for the question.

**Vote:** Motion failed 8-11 with SEN. BALES, SEN. BARKUS, SEN. BRUEGGEMAN, SEN. COBB, SEN. ESP, SEN. KEENAN, SEN. LAIBLE, and SEN. STAPLETON voting aye.

SEN. LAIBLE said he noticed on the last two votes they changed the rotation of how the votes were cast. He asked why that was done that way. CHAIRMAN COONEY indicated he just decided to change it around. They are getting down to the end where there may be some controversial votes, so he asked that they do that.

**Motion:** SEN. COONEY moved that SB 319 DO PASS AS AMENDED.

**Discussion:**

SEN. BALES advised he is for this bill, but thought this committee is the Finance and Claims Committee of the Senate. It is their responsibility to act prudently with the money of this state and look at the unintended consequences. He disagreed with what they were doing with this bill. He thought it is this committee's responsibility to decide what is important enough to fund and to make that decision. In its present form, he could not support this bill.

SEN. STAPLETON agreed with SEN. BALES. This committee gets its reputation over a period of years. It takes a long time to get it, and they can lose it just like that. The process that they have of passing bills, that gives due diligence to the financing, needs to be taken into consideration. He supported this bill within the process. Nobody will guard the process if they do not on this committee.

SEN. RYAN thought they would all like to see this bill in place because of the importance it places in the future. This is a Senate bill, and it still has to go to the House where the final decision will be made with the money. This might not go through the House, but they may think this is worth doing. That will be part of the final process. If the House does not like the idea, then the bill is dead. He wanted to let the bill go forward and see what happens.

SEN. LAIBLE did not think it was the function of Senate Finance to send bills over to the House to have the funding mechanism fixed. He was supportive of the bill, but said he would have to vote no to putting something in statute that they may not get the money for. He thought the contingent voidness was a wonderful idea. It solved all the problems, and fiscally it was the most conservative and best approach.



**SEN. COBB** said he would talk to **SEN. ELLINGSON**. He wanted to reduce the amounts. He would get rid of the primary races and the uncontested general elections; that would save some money.

**SEN. ESP** asserted this would not be one of his priorities if push comes to shove at the end. Without the contingent voidness, they were saying this is important, but it is not important. He did not think this would be a priority of this Legislature, and he did not think they should force it on another one. He said he would oppose the bill on that basis.

**Vote:** Motion carried 12-7 by roll call vote with **SEN. BALES**, **SEN. BARKUS**, **SEN. BRUEGGEMAN**, **SEN. ESP**, **SEN. KEENAN**, and **SEN. STAPLETON** voting no. **SEN. LAIBLE** voted no by proxy.

#### EXECUTIVE ACTION ON SB 72

*{Tape: 3; Side: B; Approx. Time Counter: 29.8}*

**SEN. COBB** indicated he was going to make a motion to table.

**Motion:** **SEN. GALLUS** moved that SB 72 DO PASS.

**Motion/Vote:** **SEN. COBB** moved that SB 72 BE TABLED. Motion carried 11-8 by roll call vote with **SEN. BALES**, **SEN. BRUEGGEMAN**, **SEN. COONEY**, **SEN. ESP**, **SEN. KEENAN**, **SEN. LAIBLE**, and **SEN. STAPLETON** voting no. **SEN. BARKUS** voted no by proxy.

#### EXECUTIVE ACTION ON SB 358

*{Tape: 4; Side: A}*

**Motion:** **SEN. KEENAN** moved that SB 358 DO PASS.

**SEN. KEENAN** advised he had a technical amendment.

**Motion/Vote:** **SEN. KEENAN** moved that SB035801.ATP BE ADOPTED. Motion carried unanimously by voice vote.

**EXHIBIT**(fcs64a12)

**Motion:** **SEN. ESP** moved that SB 358 DO PASS AS AMENDED.

**Motion:** **SEN. ESP** moved that SB035801.ASB BE ADOPTED.

**Discussion:**

**SEN. ESP** advised the amendment includes the part of the bill that was amended out that needs to stay in, just in case the waiver does not go ahead. They are already doing things under that section of federal law.

**Vote:** Motion carried unanimously by voice vote.

**Motion:** SEN. KEENAN moved that SB 358 DO PASS AS AMENDED.

**Discussion:**

**SEN. RYAN** said they allow a tax deduction dollar for dollar on the purchaser of the policy irregardless of whether they insure themselves or someone in the family. He wondered if they are paying for this insurance policy.

**SEN. HAWKS** said the offering of long-term care is a very restricted insurance avenue. Someone has to be almost perfectly healthy to get it; with minor health problems the rates go very high. They are giving a tax credit to the healthy that are trying to save their estate. He thought it was such a small group, that he had a question about fairness. While he thought they need to create a disincentive for people to create trusts to avoid being disqualified for Medicaid, he was not convinced this was a good approach to take.

**SEN. LAIBLE** said he would support this bill. The bill might lessen the cost of Medicaid later on and that was the whole intent.

**SEN. SCHMIDT** said this was one of the recommendations under the Medicaid redesign. People currently buy long-term care insurance, and they can use it as a tax deduction. She acknowledged they have to be pretty healthy to get it. The numbers of people getting long-term care insurance is increasing. If someone with long-term care insurance ends up in a nursing home or assisted living place, there is a dollar for dollar match after they are in the nursing home. They are able to deduct assets. This bill has nothing to do with whether long-term care insurance is good or not. It allows people that are able to buy long-term care insurance to do the dollar for dollar match. In the long term, it frees up dollars for the people that really need it. The state is trying to encourage people to get long-term care insurance if they can afford it. If they are unhealthy, they will have to pay more. If these people with long-term care insurance end up in a nursing home or assisted living, they are able to deduct.

**SEN. WEINBERG** expressed confusion about the bill. He said people who are healthy and have money can buy these policies. That might later on free up public money for others who may not have been able to buy the insurance. **SEN. KEENAN** replied in an indirect way it does. Wrapped up in this bill is the asset transfer issue making it easier for people to get Medicaid eligibility. Forty or fifty years ago, health insurance was not a concept people were buying into regularly. After World War II, it became pretty common. This is the same sort of phenomenon. This bill is trying to encourage people to buy long-term care insurance for their senior years. Some are concerned about the tax credit. **SEN. WEINBERG** said they were unsure about the tax credit so he wondered about the advantage of the savings later on versus the disadvantage of the tax credit to the state. **SEN. SCHMIDT** advised people can get the tax credit, and that does not have anything to do with this bill. This bill is talking about the dollar for dollar model. Under the dollar for dollar model, Medicaid disregards an amount of an individual's resources in determining medical assistance eligibility by \$1 for each dollar paid out to the individual under the individual's long-term care insurance policy. It has nothing to do with the tax deduction they would be able to take if they had a long-term care policy. If they went into the nursing home, whatever they spent down in their insurance policy, Medicaid would disregard that amount.

**SEN. HAWKS** said he is a healthy person, and he just bought long-term insurance for \$100 a day for nursing home care. Today's average cost is \$130. It is partial coverage, and has some delayed kick-in provisions. He can take that \$100 a month and, if he ended up in poverty, he could save that much of his assets for his family. His wife was declined coverage because she had a previous health problem, regardless of what they would pay. If someone has had one significant health episode, they would have trouble getting insurance. He said this country will have to do something else, because this coverage is out of the reach of most individuals.

**SEN. ESP** added the insurance policy will pay for some of the care that the government will not have to pick up. That frees up money for other people in other Medicaid programs.

**SEN. GALLUS** called the question.

**Vote:** Motion carried 14-4 by voice vote with **SEN. COONEY**, **SEN. HAWKS**, **SEN. LARSON**, and **SEN. RYAN** voting no.

*Note: **SEN. LIND** went on record as voting yes on SB 358 after the meeting.*

**ADJOURNMENT**

Adjournment: 11:50 A.M.

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SEN. MIKE COONEY, Chairman

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PRUDENCE GILDROY, Secretary

MC/pg

Additional Exhibits:

**EXHIBIT ([fcs64aad0.PDF](#))**